

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

REC'D 8 June 1972
as an FYI
from LINDA
PPB
6-E-0702 HQ

May 24, 1972

CIRCULAR NO. A-44
Revised

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Management review and improvement program

1. Purpose. The purpose of this Circular is to provide guidelines for (a) management review and (b) management improvement, that will focus agency efforts on operating programs and on the functions essential to their support. These efforts will be evaluated at all levels based on contributions made to achieving operating program objectives.

2. Rescissions. Effective September 1, 1972, this Circular supersedes and rescinds Circular No. A-44, Revised, dated February 16, 1970, subject, Establishment of a management improvement program applicable to all Government operations, and Transmittal Memorandum No. 1, thereto, dated June 17, 1970, subject, Government-wide study to improve Federal reporting and reduce related paperwork; and, Circular No. A-79, dated July 3, 1968, subject, Report of accomplishments in the use and management of automatic data processing (ADP). Reporting requirements specified in these rescinded directives are superseded by this Circular effective September 1, 1972.

3. Authority. Statutory provisions require the Office of Management and Budget to issue guidance to be followed by departments and agencies in reviewing and improving their operations; and require OMB to assess department and agency management.

4. Coverage. The provisions of this Circular are applicable to the management of all executive branch operating programs and supporting functions unless they are exempted in writing by the Office of Management and Budget.

5. Definitions. For the purposes of this Circular the following definitions apply.

a. Operating program. A mix of activities and resources under common management organized to accomplish a department or agency mission.

b. Management review. An objective examination, analysis, and appraisal made by a department or agency of its operating programs, functions, or organizational units.

c. Management improvement. An effort implemented by a department or agency that increases productivity, renders more timely service, provides better quality, or reduces costs of an

operating program in relation to the achievement of its objective.

6. Responsibilities of the Office of Management and Budget.

a. Guidance. The Office of Management and Budget will promote the management review and improvement program through:

(1) Idea interchange. Appropriate means will be developed for the interchange of management review and improvement ideas. Special emphasis will be placed on disseminating information concerning quantitative improvement techniques such as value analysis and cost-effectiveness analysis.

(2) Interagency management projects. Interagency management projects will be monitored and the departments and agencies will be advised of applicable efforts planned or in process.

(3) Annual management letters. Departments and agencies will be provided with an annual assessment of their management review and improvement program efforts, and specific management issues requiring department or agency action will be identified.

b. Assessment. The Office of Management and Budget will assess the progress of the management review and improvement program through:

(1) Surveys. On-site management surveys will be conducted by teams comprised of OMB and agency personnel. The surveys are designed to examine and evaluate the management capability of a department or agency and gauge whether top management needs are adequately served. Such surveys may be initiated by OMB or at the request of a department or agency head.

(2) Study of common areas. Common operational areas will be selected periodically for Government-wide study.

(3) Reports appraisal. Department and agency annual management reports will be appraised.

(4) Review of agency actions. Department and agency management actions taken in response to management issues identified in annual management letters and in budget hearings will be reviewed.

(5) Other actions. Other means will be determined by OMB as appropriate.

7. Responsibilities of departments and agencies. The head of each department and agency will establish a continuing and systematic review and improvement program at all levels in accordance with the guidelines contained in this Circular. Responsibility for coordination of the management review and improvement program may be delegated to a top level official reporting directly to the department or agency head. The coordinator shall be assigned the responsibility for assuring that:

a. Program procedures provide for proper coordination and conform to the guidelines in this Circular.

b. Presidential Management Improvement Award nominees are fairly considered without reference to sex, race, creed, national origins, grade, rank, or other nonsubstantive factors, and to assure that nominations represent accomplishments of sufficient significance to warrant Presidential recognition.

c. An annual management report is prepared in accordance with paragraph 10 and is submitted to the Director, Office of Management and Budget.

8. Management review guidelines. Department and agency management review procedures will provide for:

a. Examination, analysis, and appraisal. Reviews will include:

(1) Examination of operating programs to ascertain their impact on accomplishing a significant aspect of the overall mission.

(2) Analysis of operations to determine whether they are being performed efficiently and effectively.

(3) Appraisal of alternative approaches for performing operations in a more cost-effective manner.

b. Review coordination. Reviews will be coordinated through:

(1) Establishment of review schedules to assure that appropriate planning precedes initiation of management reviews.

(2) Assessment of management review recommendations to determine impact on all operating program objectives.

(3) Screening of review recommendations to identify those which should be designated as priority management improvement projects as specified in paragraph 9-a(1).

(4) Prompt dissemination of recommendations to the level capable of initiating necessary corrective actions.

(5) Establishment of a control system that will assure the satisfactory implementation of all approved corrective actions.

9. Management improvement guidelines. Department and agency management improvement procedures will provide for the accomplishment of priority improvement projects and other improvement projects.

a. Priority improvement projects.

(1) Selection. Prior to the beginning of each fiscal year, a limited number of areas requiring top management attention will be designated as priority improvement projects. Such projects will identify areas requiring improvement during the year based on an assessment of all applicable evaluation sources, including management review recommendations and should consider:

(a) The need for improving the operating program or function in terms of accomplishing the mission.

(b) The cost-effectiveness of an improvement in terms of the potential benefits to be obtained.

(c) The availability of resources to apply to the proposed improvement in terms of department or agency-wide priorities.

(d) The opportunity presented by an improvement for new initiatives that will encourage the better use of resources.

(2) Objective and performance indicators. Management improvement objectives and performance indicators will be established and quantified, where practicable, for each priority improvement project. Performance indicators should permit continuous and total assessment of progress in the attainment of each improvement objective and should reflect: (a) increases in productivity, (b) more timely service rendered, (c) better quality in the output, or (d) reduced costs for the operating program or supporting function.

(3) Implementation. Priority improvement projects will be implemented through the appropriate operating program or supporting function managers.

(4) Periodic evaluation. Actual performance achieved will be compared at appropriate intervals during the year against

each performance indicator and corrective action will be initiated through the appropriate operating program or supporting function manager. Comparisons will reflect a balanced assessment of productivity, service, quality, and cost indicators to assure that corrective actions foster the total improvement desired for each objective.

b. Other improvement projects. Other improvement projects will be implemented through the appropriate operating program or supporting function manager, to the extent of available management improvement resources. Efforts should be concentrated on:

(1) Financial operations as defined in "The Joint Financial Management Improvement Program in the Federal Government of the United States," 1967, GPO No. OF-278-392.

(2) Automatic data processing operations as defined in OMB Circular No. A-83, subject, ADP Management Information System (ADP/MIS).

(3) The management of internal, interagency, and public reports as defined in OMB Circular No. A-40 and the Federal Property Management Regulations.

(4) The productivity of Government operations including development of productivity indices, better use of work measurement systems, expanded use of unit cost measures, and productivity justification of capital investments.

(5) The utilization of available resources at all levels to reduce the cost of currently approved programs or budget estimates including the elimination of nonessential activities and positions, adjustments in existing activities and procedures, use of labor-saving equipment, economical procurement, and other actions that will reduce costs.

(6) Common operational areas which are periodically designated by the Office of Management and Budget for Government-wide study.

c. Improvement coordination. The scheduling of other improvement projects will be coordinated with the selection of priority improvement projects to assure that they complement the priority projects. Other improvement projects should be designated as priority improvement projects when appropriate in the judgment of a department or agency. For example, budgetary constraints may warrant designation of an overall effort to reduce costs as a priority improvement project.

d. Improvement incentives. Appropriate improvement incentives will be used to encourage improvements. Incentives should include:

(1) The interchange of ideas within a department or agency stressing innovative improvements and techniques that may be adapted for use in areas other than where originated; and

(2) The nomination of individuals or groups who have made exceptional and outstanding contributions to the achievement of management improvements for Presidential Management Improvement Awards. These Awards represent the pinnacle of recognition granted by the Federal Government for management improvement and, as such, are an important part of various other forms of recognition which may be granted by the head of a department or agency through the Federal Incentive Awards Program.

10. Reports. Each department and agency with 200 or more full time regular employees will submit to the Director of the Office of Management and Budget, by September 1, of each year, an annual management report. The report will be prepared in accordance with the format and instructions contained in the Attachment and the Exhibit, and will be submitted with a brief covering transmittal that evaluates the total effect of reported plans and accomplishments in the achievement of operating program objectives. Agencies with fewer than 200 full time regular employees will submit a narrative annual management report. The first submittals, due on September 1, 1972, will cover accomplishments during fiscal year 1972 and plans for fiscal year 1973, except as noted in the Exhibit.

11. Effective date. The effective date for implementation of guidelines in this Circular is July 1, 1972.

12. Inquiries. Inquiries should be addressed to the Office of Management and Budget, Organization and Management Systems Division, Washington, D.C. 20503.

GEORGE P. SHULTZ
Director